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Message Text

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63
ACTION EUR-12

INFO OCT-01 ISO-00 EA-06 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

PA-01 PRS-01 USIA-06 L-02 H-02 /092 W
---------- 076629
R 181533Z APR 75
FM AMEMBASSY BERN
TO SECSTATE WASHDC 579
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY DUBLIN
AMEMBASSY ROME
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
AMEMBASSY VIENNA
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL ZURICH

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E.O. 11652: N/A
TAGS: EFIN EEC SZ
SUBJECT: STATUS OF POSSIBLE EVENTUAL SWISS ASSOCIATION WITH
"MINI-SNAKE"

REF: A) BERN 1340; B) EC BRUSSELS 3234; C) BERN 1233

1. SUMMARY. EXPLORATION OF POSSIBLE SWISS ASSOCIATION
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WITH EUROPEAN JOINT CURRENCY FLOAT CONTINUES, BUT LIKELI-

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HOOD OF ANY SWISS DECISION TO SEEK ENTRY APPEARS TO
BE INCREASINGLY REMOTE AT LEAST IN NEXT SEVERAL MONTHS.
END SUMMARY.

2. PURSUANT TO FEDERAL COUNCIL AUTHORIZATION OF MARCH
26 (REF A), SWISS NATIONAL BANK (SNB) HAS CONTINUED
EXPLORE WITH OTHER CENTRAL BANKS TECHNICAL ASPECTS
OF LINKING SWISS FRANC WITH MINI-SNAKE. FEDERAL
COUNCILOR (FINANCE MINISTER) CHEVALLAZ MET APRIL 8
IN PARIS WITH FOURCADE AND WE UNDERSTAND IS ARRANGING
EARLY CONTACTS WITH ITALIAN TREASURY MINISTER COLOMBO
AND HIS BELGIAN COLLEAGUE. SWISS ARE VERY AWARE OF
CONCERNS OF OTHERS, PARTICULARLY FRANCE AND BELGIUM,
BUT EVEN IF NECESSARY CONDITIONS OF OTHERS COULD BE
MET THERE IS MOUNTING CONCERN WHETHER ENTRY WOULD NEC-
ESSARILY BE IN BEST INTEREST OF SWITZERLAND.

3. WE UNDERSTAND FOURCADE MADE VERY CLEAR TO CHEVALLAZ
FRENCH CONCERNS RELATING MAINLY TO EFFECT ON SNAKE AND
POSSIBLE FRENCH RETURN WHICH MIGHT OCCUR FROM SWISS
ENTRY. FOURCASE ALSO SURPRISED SWISS BY INTERJECTING
INTO CURRENCY DISCUSSION EXTRANEOUS ARGUMENT THAT
SWISS SHOULD BE MORE COOPERATIVE IN ASSISTING FRENCH
TAX AUTHORITIES OBTAIN INFORMATION ABOUT INCOME
SHELTERED IN SWISS BANK ACCOUNTS BY AFFLUENT FRENCH
NATIONALS.

4. SWISS OFFICIALS IN BERN ARE SATISIFED THAT TECHNICAL
PROBLEMS OF SF ASSOCIATION CAN BE RESOLVED. LOOSE ASSOCI-
ATION ALONG LINES AUSTRIAN MODEL MAY BE DIFFICULT BECAUSE
OF MUCH GREATER VOLUME IN ZURICH THAN IN VIENNA EXCHANGE
MARKET. HOWEVER, THERE IS GROWING BELIEF THAT TACTICAL MIS-
TAKE MAY HAVE BEEN MADE IN BROACHING SUBJECT OF ENTRY
INTO MINI-SNAKE AT TIME SF WAS VERY STRONG. SIMILARLY,
THERE IS CONCERN THAT ASSOCIATION WITH MINI-SNAKE COULD
IMPLY TOO CLOSE MONETARY AND FINANCIAL POLICY COOPER-
ATION WITH EC. SWISS BANKS ARE GENERALLY AGAINST
FIXING SF ONLY WITH SOME CURRENCIES WHEN WORLDWIDE
CONDITIONS DO NOT ALLOW GENERAL RETREAT FROM FLOATING.

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5. WE UNDERSTAND ASSOCIATION WITH MINI-SNAKE WAS
ORIGINALLY PROMOTED BY VORORT (ASSOCIATION OF SWISS
INDUSTRIAL FIRMS) WHICH HAD BECOME CONVINCED THAT
TO SATISFY THEIR MEMBERS' CONCERN ABOUT EFFECTS ON
SWISS EXPORTS RESULTING FROM APPRECIATED SF SOME
FURTHER ACTION WAS ESSENTIAL. SINCE TWO-TIER MARKET
HAS BEEN RULED OUT AND FURTHER CAPITAL CONTROLS
NOT GENERALLY DESIRED, VORORT SAW LINKAGE WITH DM

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AND SOME OTHER MAJOR TRADING PARTNER CURRENCIES AS
AT LEAST PROMOTING MORE STABLE RATES. WITH IMPORVE-
MENT IN EXCHANGE RATE OVER PAST MONTH, SOME OF CONCERN
HAS BEEN DAMPENED.

6. SWISS VOTERS WILL FACE REFERENDUM ON JUNE 8 ON
WHETHER EXTEND TOVERNMENT'S AUTHORITY IMPOST CAPITAL
CONTROLS. THIS IS NOT CONTROVERSIAL AND EXPECTED TO BE APPROVED
EASILY. IT IS NOT RELATED IN ANY WAY TO POSSIBLE DECISION ON
LINKING SF TO OTHER EUROPEAN CURRENCIES AS SUGGESTED
REF B.

7. IT IS GENERALLY EXPECTED THAT FEDERAL COUNCIL
WILL NOT TAKE ANY EARLY DECISION ON JOINT MINI-SNAKE.

8. SWISS OFFICIALS BELIEVE THAT SOME OF CONTROLS
AND MONETARY MEASURES ADOPTED OVER PAST SIX MONTHS
ARE HAVING SOME EFFECT IN DETERMINING SF EXCHANGE
RATE ALTHOUGH THEY RECOGNIZE THAT INTEREST RATE
DIFFERENTIALS AND ATTITUDES ABOUT US ECONOMIC PRO-
SPECTS, CAPITAL MARKET CONDITIONS, ETC. ARE OF EVEN
GREATER CURRENT IMPORTANCE IN FOREIGN EXCHANGE MARKET.
SWISS FEDERAL COUNCILORS IN RECENT SPEECHES ARE MAKING
EFFORT EMPHASIZE THAT EFFECTS OF RECESSION ARE AS OR EVEN
MORE IMPORTANT THAN CURRENCY APPRECIATION IN AFFECTING
SWISS EXPORT PROSPECTS, AND GENERALLY TRYING ENGENDER
CONFIDENCE AMONG SWISS CONSUMERS/INVESTORS. ECONOMIC
MINISTER BRUGGER, FOR EXAMPLE, IN ADDRESS TO ANNUAL
MEETING OF SWISS-AMERICAN CHAMBER OF COMMERCE APRIL 14
SAID THAT SWITZERLAND HOPED TO MAINTAIN ITS RELATIVE
SHARE OF FOREIGN MARKETS BUT COULD NOT EXPECT ATTAIN
INCREASE. HE ALSO MADE STOUT DEFENSE OF SWISS LIBERAL
TRADE POLICY AND CAME DOWN FIRMLY AGAINST WISDOM OF
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ANY TRADE RESTRICTIVE ACTIONS.
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